

Message Text

SECRET

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ORIGIN SS-25

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FM SECSTATE WASHDC

TO AMEMBASSY ROME PRIORITY

INFO USDEL SECRETARY PRIORITY

S E C R E T STATE 014401 TOSEC 010051

EXDIS

E.O. 11652: GDS

TAGS: EFIN, IT

SUBJECT: ITALIAN REQUEST FOR SWAP DRAWING

1. ITALIAN AMBASSADOR GAJA JANUARY 20 REQUESTED ACTING SECRETARY'S ASSISTANCE IN FACILITATING 500-MILLION-DOLLAR DRAWING UNDER US-ITALIAN SWAP ARRANGEMENT. GAJA SAID THAT IN A TELEPHONE CALL THIS MORNING FINANCE MINISTER COLOMBO HAD EXPLAINED THAT THE DRAWING WAS NEEDED TO COVER ITALIAN INTERVENTIONS IN FOREIGN EXCHANGE MARKET NECESSITATED BY LARGE-SCALE CAPITAL FLIGHTS OF PAST FEW DAYS. BANK OF ITALY INTERVENTIONS HAD BEEN 100 MILLION ON JANUARY 19 AND 130-140 MILLION ON JANUARY 20. GAJA SAID COLOMBO TOLD HIM THAT FRB CHAIRMAN BURNS HAD AGREED TO 250-MILLION-DOLLAR DRAWING IF ITALY WOULD ARRANGE A DRAWING OF EQUAL AMOUNT FROM THE EXPANDED ACCESS RESOURCES OF THE IMF.

2. IN FULFILLMENT OF COMMITMENT TO GAJA TO LOOK INTO SITUATION, ACTING SECRETARY INFORMED FRB CHAIRMAN BURNS
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OF GAJA'S APPROACH AND OF HIS REQUEST THAT DEPARTMENT

EXPLAIN THE IMPORTANT POLITICAL CONSIDERATIONS INVOLVED. BURNS EXPLAINED THAT WHILE FRB WAS OBLIGED TO TAKE BANKER'S ATTITUDE, IT WAS ALSO SENSITIVE TO POLITICAL CONSIDERATIONS. ITALIANS SEEMED AGREEABLE TO CONDITIONS BEING IMPOSED ON FIRST 250 MILLION, AND HE BELIEVED THEY WOULD ALSO BE ABLE TO COMPLY WITH CONDITIONS ATTACHED TO SECOND 250 MILLION. HE SAID THAT EUROPEANS WERE MAKING A GOLD LOAN AND WERE THEREFORE TAKING TOUGHER POSITION THAN USG. HE ASSURED ACTING SECRETARY THAT THOSE INVOLVED IN THE TRANSACTION WERE VERY SENSITIVE TO POLITICAL FACTORS AND VERY SYMPATHETIC TO ITALIAN NEEDS.

3. ACTING SECRETARY LATER INFORMED GAJA THAT HE HAD SPOKEN TO BURNS AND HAD FOUND HIM TO BE SYMPATHETIC. ACTING SECRETARY HAD EMPHASIZED OUR POLITICAL SUPPORT FOR THE ITALIAN REQUEST AND ITS IMPORTANCE. HE SAID THAT WITHOUT GOING INTO PARTICULARS, FRB CHAIRMAN HAD SAID THEY WERE TRYING TO WORK THINGS OUT VIA NATIONAL BANKING INSTITUTIONS. GAJA EXPRESSED APPRECIATION AND SAID HE WOULD BE SEEING BURNS HIMSELF. SISCO

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